

Labor Migration

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Stylized Facts 1

- Rural-Urban migration driven by hope for economic advantage (expected earnings)
- Urban real earnings generally higher in informal sector as well as formal
- Large flows of remittances both ways but predominantly urban-rural
- Gross flows large relative to net flows -- substantial return migration

Stylized Facts 2

- Urban unemployment primarily among young new entrants to labor force
- Informal sector employment more than mere “disguised unemployment”-- earnings consistently higher than in rural
- Mobility between formal and informal sectors in both directions

Policy Concerns About Urban Growth

- Concentration of growth in one or two dominant cities (fact or fiction?)
- Deteriorating service levels -- high costs of maintaining service standards
- Poverty visible and obvious
- Social disorganization -- crime and protest
- Belief that rural areas impoverished as a result of urban growth

Attempts to Control Urban Growth

- Migration restrictions (e.g. Vietnam) -- largely ineffective
- Subsidize industrial location in remote areas or lagging regions -- largely ineffective
- Direct infrastructure resources to smaller cities -- mixed success
- Make rural areas more attractive -- largely ineffective

Why are Urban Earnings Higher?

- Minimum wages -- union power -- public sector wage setting.
 - Probably less important than in past.
- Efficiency wages -- probably important but should vary by industry and occupation
- Offsetting higher costs of housing, congestion, and commuting (utility of real wage not higher) ??

Why Do Private Firms Locate in Cities?

- Wage and land costs definitely higher
- Must be offset by productivity effects (agglomeration economies)
 - Access to business services (incubator effects)
 - Access to information
 - Better communications and transport
 - Access to skilled labor pools

Needed Policy Research 1

- Identify both sources of productivity externalities and congestion diseconomies by urban scale
- Identify systematic divergence between private and social benefits/costs of migration
- Identify productivity and role of informal sectors

Needed Policy Research 2

- Understand connections between rural and urban poverty
 - Are the urban and rural poor separate groups?
 - If from same groups, is effect of migration positive or negative for the group?
 - Will targeted urban poverty alleviation programs have effect on rural poverty?
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